

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 6387

INFO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: EFIN, EAID, BG

SUBJECT: BANGLADESH FOREIGN EXCHANGE RESERVE POSITION

REF: (A) DACCA 5915, DECEMBER 31, 1974 (B) DACCA 1180

1. FOREIGN EXCHANGE RESERVES HELD BY THE BANGLADESH BANK STOOD AT TAKA 1,812 MILLION (ABOUT \$227 MILLION) ON MARCH 7, ACCORDING TO BANGLADESH BANK PRESS NOTE. RESERVES HAVE THUS INCREASED BY ABOUT \$100 MILLION SINCE END NOVEMBER, 1974 (REFTEL A) AND BY VERY ROUGHLY \$200 MILLION SINCE LOW POINT DURING 3RD QUARTER OF CY 1974.

2. THE MAJOR FACTORS AFFECTING THE RESERVE POSITION CONTINUE TO BE ESSENTIALXAS REPORTED REFTEL A:

A. TIGHT CONTROL OVER IMPORTS, PARTICULARLY IN THE USE FREE FOREIGN EXCHANGE, STRICT LIMITATIONS ON THE ISSUE OF NEW LETTERS OF CREDIT, AND SUCCESSFUL SEARCH FOR 180- AND 360-DAY COMMERCIAL CREDIT FROM FOREIGN PRIVATE SUPPLIERS. AN EXAMPLE WOULD BE PARENT DRUG FIRMS

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SHIPPING PHARMACEUTICAL RAW MATERIALS TO BANGLADESH SUB-

SIDIARY MANUFACTURERS. ACTUAL FOREX CASH PAYMENTS FOR IMPORTS
IN JANUARY AND FEBRUARY WERE, WE UNDERSTAND, ONLY \$10 AND
\$17 MILLION RESPECTIVELY;

BWO DRAWING OF 1974 IMF OIL FACILITY DURING 2ND HALF
OF 1974; AND

C. ARAB CASH AID AND DEPOSITS (REFTEL B).

3. ACCORDING IMF RES REP, EXPORT BILLS MATURING BY
JUNE 30 APPROACH VALUE OF PAYMENTS DUE ON LETTERS OF
CREDIT, AND BDG COULD WELL FINISH CURRENT FISCAL YEAR
WITH RESERVE LEVEL REMAINING OVER \$200 MILLION. WE
KNOW OF NO RPT NO MAJOR FOREIGN EXCHANGE PAYMENTS
DUE BEFORE JUNE 30, ALTHOUGH FOOD SHIPMENTS MUST BE
PAID FOR. ON OTHER HAND, BOTH BANGLADESH BANK GOVERNOR
AND ECONOMIC ADVISOR COMMENTING SEPARATELY ON FOREX
POSITION TO EMBOFF, EMPHASIZED LIKELIHOOD THAT RESERVES
WOULD COME DOWN OVER NEXT TWO MONTHS, PERHAPS TO
AROUND \$180 MILLION AT END JUNE.

4. WHILE TIGHT IMPORT CONTROLS CONTINUE TO LIMIT
SEVERLY ECONOMIC ACTIVITY IN BANGLADESH, AND INSISTENCE
ON 180- AND 360-DAY CREDIT IS ESSENTIALLY ONE-TIME
FACTOR FOR IMPROVEMENT, BDG HAS BROUGHT RESERVES UP
TO A LEVEL WHERE THEY PROVIDE A MODEST DEGREE OF
FLEXIBILITY. FUNDAMENTAL PAYMENTS IMBALANCE, OF
COURSE, REMAINS.
BOSTER

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